

March 31, 1980

LB 954

SPEAKER MARVEL: Senator Cope has a question.

SENATOR COPE: Senator DeCamp, this is relative to Senator Kelly's amendment and that is I have read your passout on anticipated questions and heard you explain it but both of them are pretty brief and that has to do with the bonds, do bonds pledge the credit of the state, and I think there is the background of a lot of this. Would you explain that more carefully?

SENATOR DeCAMP: The answer is absolutely, unequivocally guaranteed no. In fact a bond could never even be sold under the conditions of this bill. It has to be a saleable bond and meet all the standards. Seven other states have done this identical thing, particularly in this home improvement area. They also, a couple of them, have that same provision of the Constitution of their states where you can't extend the credit of the state. It relies strictly as the existing mortgage fund does, Senator Cope, strictly on the property itself and one additional factor that the existing fund does not have, one additional factor is there is a Title I FHA guaranteed program and so you would have, so to speak, double security in this particular area, the guarantee of the Title I, FHA, and the security of the property itself. So in a way....

SENATOR COPE: All right, what are you going to use for collateral?

SENATOR DeCAMP: That is my point, the property itself is the collateral.

SENATOR COPE: In other words, you are going to take a mortgage. You do \$1500 worth of remodeling, insulation. You are going to take a mortgage on each job that is done? In addition, that would be a second mortgage if it were let's say a mortgage that is taken on the recent \$150 million, whatever it is.

SENATOR DeCAMP: Okay, that would be exactly identical to what they do today when they make an home improvement loan. They do have a second mortgage or whatever and you would have that identical situation. You additionally, as I pointed out, would have under this proposal, you would have Title I FHA guarantee which we are requiring before they could ever go ahead with the program.

SENATOR COPE: And the only guarantee is...there is no guarantee to anyone. All they have is just a second